

**INTERSTATE POWER AND LIGHT COMPANY** )  
 )  
**Re:** Application of Interstate Power and Light )  
Company for Approval of Affiliated Interest )  
Contract )  
 )

October 24, 2003

1   **Q.     Please state your name and business address.**

2   A.     My name is John Carr. My business address is 4902 Biltmore Lane, P.O. Box  
3           77007, Madison, Wisconsin 53707-1007.

4   **Q.     By whom are you presently employed and in what capacity?**

5   A.     I am presently employed by Alliant Energy Corporate Services, Inc. (AECS) as  
6           Manager-Fossil Fuel Procurement. In this position, I am responsible for coal and  
7           transportation procurement for all the Alliant Energy Corporation public utilities'  
8           fossil fuel plants, including the electric power generation plants owned and  
9           operated by Interstate Power and Light Company (IPL or Company) located in  
10          Burlington, Iowa, Clinton Iowa, Dubuque, Iowa and Lansing, Iowa (hereinafter,  
11          collectively "Interstate Plants").

12  **Q.     Please describe your education and employment history.**

13  A.     I graduated from Iowa State University in December of 1986 with a Bachelor of  
14          Science Degree in Economics. From April 1987 to February 1998, I worked in  
15          various positions involving procurement, transportation, trading, risk  
16          management, and asset management with Cargill, Inc., and AGRI Grain  
17          Marketing (a joint venture partnership between Cargill Inc. and AGRI Industries).  
18          In March 1998, I accepted the position of Lead Fuel Procurement Agent with  
19          Wisconsin Power and Light Company (WPL), and have worked for AECS in the  
20          fossil fuel group since the merger in 1998 (that resulted in Alliant Energy  
21          Corporation) to the present. I accepted the position of Manager –Fossil Fuel  
22          Procurement in March 2002.

1     **Q.     Have you previously testified in regulatory proceedings?**

2     A.     Yes, I have testified in WPL's rate cases before the Public Service Commission of  
3             Wisconsin in Docket Nos. 6680-UR-112 and 6680-UR-113.

4     **Q.     What is the purpose of your testimony in this proceeding?**

5     A.     The purpose of my direct testimony is to support and explain the Company's  
6             arrangement with IEI Barge, Inc. (IEI Barge).

7     **Q.     Would you please explain the corporate organization of Alliant Energy**  
8             **Corporation?**

9     A.     On November 10, 1995, WPL Holdings, Inc. (Holdings), a holding company  
10            incorporated under the laws of the State of Wisconsin, IES Industries Inc.,  
11            (Industries), a holding company incorporated under the laws of the State of Iowa;  
12            and Interstate Power Company (IPC), entered into an Agreement and Plan Merger  
13            (Merger Agreement). After the effective date of the Merger, the name of  
14            Holdings was changed to Alliant Energy Corporation (Alliant Energy). Under the  
15            terms of the Merger Agreement, IPC, IES Utilities Inc., a wholly-owned  
16            subsidiary of Industries operating as an electric and gas public utility in Iowa, and  
17            WPL, a wholly-owned subsidiary of Holdings operating as an electric and gas  
18            public utility in Wisconsin, became wholly-owned subsidiaries of Alliant Energy.  
19            Alliant Energy is a registered Public Utility Holding Company under the Public  
20            Utility Holding Company Act of 1935.

21    **Q.     Please continue.**

1 A. On January 2, 2002, IPC merged into IES, which subsequently changed its name  
2 to Interstate Power and Light Company. This merger was approved by the  
3 Commission's May 23, 2001 Order in Docket No. 00-0261. IPL is an Iowa  
4 Corporation operating as a public utility in Illinois pursuant to the Act and as a  
5 public utility in Iowa and Minnesota. IPL supplies electric and, gas services in  
6 the northwestern section of Illinois. Under the terms of the Alliant Energy  
7 Merger, Alliant Energy was able to consolidate certain corporate and  
8 administrative functions of Holdings, IES and IPC, thereby eliminating  
9 duplicative positions, reducing other non-labor corporate and administrative  
10 expense and limiting or avoiding duplicative expenditures for administrative and  
11 information systems. In order to achieve these savings, a service company,  
12 AECS, was formed.

13 **Q. Please describe IEI Barge.**

14 A. IEI Barge is a wholly-owned subsidiary of Alliant Energy. As such, WPL and IEI  
15 Barge are corporate affiliates. IEI Barge owns and operates a coal transshipment  
16 terminal at East Dubuque, Illinois in Jo Davies County. The terminal is adjacent  
17 to the Mississippi River.

18 **Q. What gave rise to the instant proceeding?**

19 A. On December 16, 2002, IPL issued a Request for Proposals (RFP) seeking bids  
20 for coal transportation to the Interstate Plants. For the IPL barge served plants,  
21 this included rail transportation to Mississippi River coal terminals, rail to barge  
22 trans-loading services at the river coal terminals, and barge transportation from

1 the coal terminals to the Interstate Plants. In this process, IPL received bids from  
2 railroads, barge companies and six different transloading terminals. After  
3 evaluating the bids, IPL concluded that the lowest delivered coal cost could be  
4 achieved by utilizing the IEI Barge terminal. In addition to allowing the plants to  
5 achieve the lowest possible total transportation costs, IEI Barge also offered the  
6 lowest cost transloading services when compared to the other transloading  
7 terminals which were evaluated to serve the power plants located in Dubuque,  
8 Iowa and Clinton, Iowa (User Facilities). Upon award of the bid to IEI Barge,  
9 IPL entered into a Transloading Contract (Transloading Contract or Agreement)  
10 dated September 30, 2003 under which IEI Barge agrees to provide the services  
11 required by IPL. Since IEI Barge and IPL are corporate affiliates, the  
12 Transloading Contract must be approved by the Commission.

13 **Q. What was the result of the competitive bidding process under the RFP for**  
14 **the other barge served Interstate Plant at Lansing, Iowa?**

15 A. IPL determined that the lowest possible transportation costs for that plant could  
16 be achieved by utilizing a nonaffiliated entity for coal transloading services. The  
17 rail, terminal and barge costs available by utilizing the Orba-Johnson  
18 Transshipment Company were the lowest available to meet the coal delivery  
19 requirements of the Lansing Generating Station.

20 **Q. Please describe the terms and conditions of the arrangement between IEI**  
21 **Barge and IPL.**

1     A.     Under the Transloading Contract, IEI Barge will provide coal transloading and  
2           storage services for IPL for an initial term of three years commencing January 1,  
3           2004 and ending on December 31, 2006. The agreement may be extended for an  
4           additional one year period until December 31, 2007. During the term of the  
5           Agreement, IEI Barge will transload coal belonging to IPL from trains arriving at  
6           its terminal in East Dubuque, Illinois and place the coal onto barges in the  
7           Mississippi River for shipment to the User Facilities, as required. When not  
8           required for immediate delivery by barge, coal may be stored at the IEI Barge  
9           terminal.

10    **Q.     Which circumstances give rise the need to transload coal at the Mississippi**  
11           **River?**

12    A.     IPL purchases considerable quantities of low sulfur coal produced in Wyoming  
13           and Colorado for use of at its fossil fuel plants. This coal is shipped by rail from  
14           Wyoming and Colorado to the Mississippi River. Three of the User Facilities are  
15           located adjacent the Mississippi River and currently can only receive coal  
16           deliveries by barge.

17    **Q.     What are payment terms and conditions under the Transloading Contract?**

18    A.     IPL is obligated to pay a base rate (Base Rate) for transloading coal of \$1.00 per  
19           ton for the first three years of the Agreement. In the third year and thereafter, a  
20           1% rate increase will become effective.

21    **Q.     Is there a charge for coal storage?**

1 A. Under the Transloading Contract, IPL may direct IEI to store up to 10% of total  
2 tonnage of coal on the ground at IEI Barges' terminal at no extra charge beyond  
3 the Base Rate. Any amount of coal stored on the ground greater than 10% of  
4 annual tonnage will obligate IPL to pay IEI Barge \$0.35 per ton in addition to the  
5 Base Rate.

6 **Q. What volume of coal is expected to be handled under the Transloading**  
7 **Contract?**

8 A. There is no maximum amount of coal which IPL may request IEI Barge to trans-  
9 load under the Agreement. IPL is simply required to notify IEI Barge on or on  
10 October 1 of each year of the Transloading Contract of its good faith projection of  
11 the amount of coal expected to be transloaded for the coming contract year.  
12 Similarly, IEI Barge is obliged to maintain space for 200, 000 tons of ground  
13 storage for coal.

14 **Q. Are there any other terms that relate to volume of coal to be handled?**

15 A. Yes there is one other. IPL must deliver a minimum of 500,000 tons of coal  
16 during each calendar year of the Transloading Contract. In the event IPL does not  
17 do so, it must pay IEI Barge \$.06 per ton of any shortfall in deliveries. Any  
18 shortfall is measured as 500,000 tons less the amount actually delivered. This  
19 minimum delivery charge is excused if IPL has been unable to deliver coal  
20 because of the inability to obtain rail transportation.

21 **Q. How much does IPL expect to pay annually for transloading services under**  
22 **the Agreement?**

1 A. IPL expects that it will pay IEI Barge approximately \$850,000 annually for  
2 transloading services.

3 **Q. How did IPL determine that the IEI bid was the most competitive of the six**  
4 **submitted.**

5 A. IPL analyzed the total transportation costs that would result at the plant.  
6 Additionally, IPL compares the individual transportation components i.e., rail,  
7 coal terminal rail to barge transload, coal storage and barge transportation to the  
8 plant, in its analysis. Applying this analysis and utilizing IEI Barge as the barge  
9 transloading component, that particular combination of the transportation  
10 components provided for the lowest delivered cost to the plant. Indeed, IEI was  
11 the lowest cost coal terminal for transloading and storage services. IPL  
12 determined that the IEI bid represented the most reasonable arrangement for  
13 services sought for coal transportation to the User Facilities.

14 **Q. Please elaborate.**

15 A. As I indicated above, the Transloading Contract represents the most reasonable  
16 arrangement for coal transloading services to be provided to the particular  
17 facilities. The Agreement represents the least cost resource of reliable coal  
18 transloading and storage services provided by a transloading facility with access  
19 to the User Plants. The evaluation of the feasibility of a bid for coal transloading  
20 must balance several factors. Bids must be evaluated in relation to the rail service  
21 and cost available at a given terminal. In this instance, the rail transportation will



1 be provided by the Burlington Northern Railroad, so that the most desirable  
2 terminal is one served by the Burlington Northern Railroad.

3 **Q. Please continue.**

4 A. Additionally, the total mix of costs of coal transportation must be considered,  
5 which includes rail transportation, transshipment to barges, coal storage, and  
6 barge rates to the plant destination. Barge rates can differ considerably from  
7 terminal to terminal and sometimes the availability of relatively less expensive  
8 barge rates might greatly influence the competitiveness of a bid for transloading  
9 services. The Transloading Contract was evaluated based on such criteria and  
10 was determined by IPL to be the most feasible and lowest cost. Hence, IPL  
11 believes that the Agreement represents the arrangement which would best serve  
12 its customers.

13 **Q. How was the Transloading Contract negotiated?**

14 A. The Transloading Contract was an arms lengths transaction between IEI Barge  
15 and IPL. The parties engaged in the usual commercial discussions that resulted in  
16 a mutually agreeable arrangement. The contract terms and provisions were  
17 reflective of the RFP and the bid submitted by IEI Barge.

18 **Q. Did IPL provide IEI Barge with any information prior to submission of its**  
19 **bid or afterwards which might give it an advantage of other competitors?**

20 A. No. IPL is not aware of any information that was available to or given to IEI that  
21 was not available to competitors. Presumably, IEI based its bid on the same

1 commercial and competitive information available to any other party which  
2 would seek to provide transloading and storage services to the Interstate Plants.

3 **Q. Has IEI Barge provided coal transloading services to IPL in the past?**

4 A. No. The Agreement represents the first transaction for coal transloading services  
5 between IPL and IEI Barge.

6 **Q. Does this conclude your testimony?**

7 A. Yes.